



PALGRAVE DEBATES IN BUSINESS HISTORY

Business Practice in Socialist Hungary, Volume 1

Creating the Theft Economy,
1945–1957

Philip Scranton

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Palgrave Debates in Business History

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ADVANCE COMMENTS ON BUSINESS PRACTICE IN SOCIALIST HUNGARY, VOLUME I

“In *Business Practice in Socialist Hungary, Volume I*, Philip Scranton brings his keen sense for the theoretical and empirical aspects of business enterprise to the fascinating setting of Hungary’s nascent socialist economy. Through a richly contextualized reading of some astonishing primary source documents, Scranton illustrates how capitalist and socialist organizations shared more characteristics than is widely acknowledged. Anyone interested in the challenges that face business enterprises—to say nothing of the contradictions between socialist visions and organizational realities—will cherish Scranton’s insight and marvel at the tales and the toil he uncovers.”

—Andrew Russell, *Dean, New York Polytechnic Institute; Co-director, themaintainers.org*

“Philip Scranton’s new book, *Business Practice in Socialist Hungary, Volume I*, brims with gritty archival detail and packs conceptual heft as it explores how managers and employees, farmers and peasants, party apparatchiks and party bosses, struggled – and fought – to build an economic system that ‘worked, more or less’ in newly socialist Hungary in the years following WWII. Centering the concepts of coping and maneuvering, Scranton reveals not only the limitations of strategizing and planning, already well-established, but also how, working from the bottom up, ordinary Hungarians developed creative workarounds that made the best of what was at hand, whilst frequently embracing shirking, resistance and

theft, in order to meet the absurdities and cruelties they often faced. In doing so, they placed themselves at the heart of the development of this new economic system. Students and scholars of Hungarian and wider Soviet era economic history will find much to learn and enjoy in this deeply researched and tautly written book. But it has wider resonances and lessons. Once we begin looking for them, we will likely find coping and maneuvering somewhere at the heart of the constitution of all economic systems, even the most apparently smoothly humming capitalist machine.”

—Andrew Popp, *Professor of History, Copenhagen Business School*

“Via this study of Hungary, Phil Scranton shows that socialist enterprises were not so simple as has been generally asserted. He looks at them both from top down and from bottom up, from the viewpoint of the government and the ministries and from that of the peasants and all the men and women who worked, traded or consumed. He sees how the choices made at the top prolonged the shock of World War Two and limited technological choices and learning processes. For years, the predatory behavior of the Russians and the constraints exerted by the government and the Party squeezed peasants especially, but in fact everyone. Instead of a socialist alliance of science and democracy, an economy of theft was born, often at the expense of the environment and nature. One of the many forms of the people’s agency was to reciprocate such theft, through frauds, embezzlements, or stealing materials and goods. Civil society in general, technicians and engineers in particular, were creative and called for alternative strategies and regulations but their voices were turned aside – one source, among many, for the 1956 Revolt.”

—Patrick Fridenson, *Ecole des Hautes Etudes en Sciences Sociales, Paris*

To Ginny, the light of my life

PREFACE: THE TERRIBLE TWELVE—CORE TASKS FOR SOCIALIST AND CAPITALIST ENTERPRISES

Business historians have shown that creating and running an enterprise is both complicated and complex. It's complicated in that there are multiple tasks that have to be understood, planned for, juggled, and completed more or less simultaneously. It's complex because such actions intersect with those of others (competitors, suppliers, governments, financiers, workers, consumers) whose interests and goals business owners or managers imperfectly appreciate and whose initiatives compel them to make unanticipated, reflexive adjustments that can only be anticipated in part. Hence enterprises have to resolve concrete questions while moving forward, despite incomplete knowledge and considerable uncertainty. This is the case for small firms and large, as well as for companies operating in capitalist, communist, or colonial/developing world environments. Therefore, Patrick Fridenson and I identified a set of what we call "core tasks" for enterprises, issues that managers sought to address just about everywhere in the postwar world. Business practices are the ways in which this "addressing" materializes in projects, rules, routines, forms, evaluations, rivalries, alliances, and the like. We locate the set as "post-war" tasks because they arose in a specific era; a different set might well be needed for the mid-nineteenth century.

We acknowledge that this group is surely incomplete and that some elements overlap; thus we would welcome suggestions concerning additions and revisions. After what we would suggest are the foundational first three, the rest are unranked. In the chapters that follow, assessing business

dynamics in socialist Hungary before the 1956 Revolt, these Tasks will serve as a background framework to link the elaborate interactions, initiatives, and flows sketched in the text with enterprises' unending necessity for identifying opportunities and solving problems.

Task 1. Defining the enterprise's purpose and methods of operations. What is this organization expecting to accomplish and how will it do this? What needs might its efforts satisfy? Are others already attempting this, and if so, how will this team do it better, cheaper, faster? Indeed, how will the actors learn that they are doing it better, cheaper, or faster? What do the actors know, and need to know, about the capabilities necessary to create and deliver their products and/or services? How much of what is needed for the job can they create in-house and how much can simply be bought from others? How best to evaluate those options?

Task 2. Securing and allocating resources. How much funding will the enterprise need to commence and continue its work? Where is this stream of resources to come from and on what conditions? What are the requirements for space, power, technology, expertise, and materials and what alternatives are available for acquiring them? How much time is needed to integrate and operationalize these inputs and who can guide this process? What provisions ought we make for conserving material resources (structures, infrastructures, technologies) through persistent, timely maintenance and repair? What human resources (e.g., workers, advisers, managers) are required for this range of operations and what practices will encourage their effective performance and retention (e.g., bonuses, benefits, profit-sharing)?

Task 3. Creating organizational structures and processes, identifying responsibilities, defining internal and external stakeholders, building competencies. How will the enterprise make decisions, set goals, coordinate its activities, and generate continuity in its operations? What options for each of these can be considered? To whom do responsible parties report, why, and with what possible consequences? How to define and reward/sanction excellence and failure? How will information be organized to flow through the enterprise and through business networks? Do managers emphasize creativity, participation, reliability, or responsiveness? If all four, in what proportions and how balanced?

Task 4. Establishing accounting and records management, defining relevance & rules/norms. How effectively to track what's happening, quantitatively, qualitatively, and discursively? What gets counted and analyzed and why? What data and documentation gets kept, why and

where? How best to use these components of an organizational memory to adjust goals, spending, and activity? How to assure their cost-effective supply, flow, and processing?

Task 5. Installing purchasing and pricing practices. If the enterprise generates products, how do managers organize securing materials/components and determining an offering price to users (e.g., value chains, price matching, response to competition, state/regulatory settings)? If it provides services, what inputs must be secured to create them and how to determine user charges (comparables, negotiations, professional/regulated schedules)? In both cases, what incentives encourage systematizing these practices within and across enterprises?

Task 6. Inventing marketing and organizing distribution. Who are our likely customers or clients? How do we identify them and reach out with information, samples, or performance data that will encourage purchases? How much of our resources should be devoted to this work? What infrastructure can we employ to deliver our goods or services and at what costs? How can we differentiate our output from that of others in the same or similar field?

Task 7. Articulating external and internal relations. Outside the enterprise, to whom are we responsible and for what? What rewards or sanctions can be anticipated through links with government, regulators, associations, clients, competitors, communities, or professional networks? What benefits, information or value can we provide each group, beyond market transactions? Inside the enterprise, how best to establish productive relations with workforces, and to make critical decisions about full time, part time, and contractual labor? What codes, standards, and rule sets developed by outside entities (trade organizations, governments, scientific and technical bodies) inform, facilitate, and constrain structuring internal relations?

Task 8. Monitoring performance. Within the enterprise, how do we measure the effectiveness of what we are doing? To whom are managers and employees accountable and for what? This involves issues of benchmarking achievements, defining oversight, tracking emergent problems, plus attending to quality control and risk management. Again, what sanctions reach poor performers, and what policy changes might improve results? Conversely, what incentives do we devise to encourage excellence and what rewards are delivered when it is demonstrated? Also as financialization intensified on capitalist and socialist terrains, banks, state agencies and analysts tracked performance, making judgments which decisively

affected access to credit, firm autonomy, and stakeholder confidence. How to frame policies to engage with these hazards?

Task 9. Encouraging learning, prospective and reflexive. As the technical and informational world is dynamic, how does the enterprise facilitate training, evaluate feedback, modify rules and routines to enhance its capabilities? What guidelines can be established to maintain both material and human resources? To what degree and at what cost should manager/worker education be formalized? What external organizations can be solicited to participate in this process and by what means? In what ways can the firm capture the value that a learning organization generates without losing the reliability that a systematized enterprise achieves?

Task 10. Planning for growth, crisis, conflict, innovation. What priority do we give to exploring the enterprise's current contexts and future possibilities? By what means do we select both the targets for such planning and the personnel to be involved (flexibility vs. hierarchy)? Given that "past performance cannot guarantee future returns," at what levels and in what domains might planning be most effective? Product development? Strategic resource allocation? Internationalization and/or diversification?

Task 11. Dealing with tensions between operations and innovation. Creativity is disruptive but operations can generate tunnel vision. Are we involved in an emergent or mature sector, and in either case, is ours an emergent or mature firm? What role does innovation play in the trade our enterprise inhabits? What costs and benefits would disruption bring? Or if stability, durability, or reliability are crucial, what implications does this have for operating practices and information uses? (This is germane to whether we sponsor special projects or not, to whether we diversify or not, to what kind of cost analysis we conduct, and to how much we emphasize R&D or applied science.)

Task 12. Assessing environmental relations. In production, what is the most cost-effective, lawful way to handle/recycle wastes from operations or surplus materials no longer used? What hazards, and perhaps resources, does our enterprise's activity present to that environment? Can we develop or adopt creative ways to conserve energy or minimize use of dangerous or scarce materials? What hazards and resources are present in the enterprise's broader material environments? In services, what aspects of the social and cultural environment need we closely consider as we establish principles and practices for operating effectively (e.g., gender, ethnic, class and age biases, racism, unvoiced assumptions)?

Complex and complicated indeed. To be sure, I will not be systematically tracing how business practices in Hungarian agriculture, commerce, infrastructure, and manufacturing link to each of the twelve tasks. Rather the tasks set out an array of bells that readers may occasionally ring when encountering empirical contrasts and resonances. Just one example for the moment. Take Task 7, “Articulating external and internal relations.” Whereas a firm in France may have been responsible to shareholders and bondholders, government regulators, and perhaps consumers of its products, an enterprise in socialist Hungary was responsible to the nation’s central planners, to a supervising sectoral ministry and to the Communist Party, whose officials possessed authority independent of the administration, but was certainly not beholden to consumers (or to victims of a toxic release). Doing business in response to this task was radically different in the two locales, and would change in different ways as lines of responsibility and options for action altered.¹ Moreover, external actors can, in both domains, profoundly influence the way business is done and how this changes. For example, survivors of Japan’s Minimata fish poisonings successfully sought to limit the use of mercury in industrial and mining operations, given its dreadful environmental toxicity.² Similarly, Hungarian citizens complaining about pollution got nowhere: “Tell it to Stalin!”

Why offer such a collection? Surely most of this is pretty obvious, at least to business people and those who research their histories. Actually, not at all. Knowledge about how business and the economy work is extremely shallow in capitalist nations, as a 1984 Hearst Corporation survey of the American public documented.³ Understanding what enterprises do and how they operate is thin even in financial markets, where vast sums are invested daily. As analyst John Kay explained recently:

Anyone who comes from outside the financial sector to the world of trading is likely to be shocked by the superficiality of the traders’ general knowledge... Fund managers and investment bankers deal in shares – or even buy and sell companies – with only a rudimentary understanding of the businesses involved or of concepts of business strategy. Many senior executives talk privately with contempt of the analysts who follow their company.⁴

Thus rather than restricting this work’s potential readers to those already well-versed in business practicalities, the twelve tasks are sketched here

so that all those embarking on this voyage to encounter *Business Practice in Socialist Hungary, Volume 1* appreciate in advance the questions that socialist businesses attempted to resolve.

Before venturing into that long-ago “everyday,” a second contextual exercise needs to be deployed. This entails first reconstituting the historical and spatial landscape of Hungary’s twentieth-century development and then, more specifically, the organizational and institutional environment within which enterprise and work took place in postwar Hungary. That’s the job of the following two chapters.

New Brunswick, USA

Philip Scranton

NOTES

1. Resonances may also be identified. Writing of a reformed planning system (New Economic Mechanism, 1968), Geza Lauter noted: “the new role of the central plan in Hungary is not very much different from the role that ‘Le Plan’ plays in France. In both countries, the general long-range objectives include a high rate of economic growth, relatively stable employment, and technological advancements. Also the plans in both countries convey to managers a priority list of development objectives and define the various means through which such objectives can be achieved. Furthermore, managerial, professional and special-interest groups are asked to participate in the planning process through the presentation of ideas, proposals and constructive criticism” (Lauter, *The Manager and Economic Reform in Hungary*, New York: Praeger, 1972, 36).
2. Timothy George, *Minamata: Pollution and the Struggle for Democracy in Postwar Japan*, Cambridge: Harvard University Press, 2002.
3. Hearst Corporation, *The American Public’s Knowledge of Business and the Economy*, New York: The Company, 1984.
4. John Kay, *Other People’s Money: The Real Business of Finance*, New York: Public Affairs, 2015, 82–83.

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Unlike other monographs I've published, *Business Practice in Socialist Hungary, Volume 1* has not been previewed through papers/chapters offered in seminars and at conferences, thanks to the Covid pandemic and the cancellation of everything. A sizable chunk of early text was meant for a panel at the March 2020 Business History Conference in Charlotte, but the meeting essentially imploded in the face of rapidly spreading infections. Instead, I have shared documents and drafts with a number of colleagues whose responses and suggestions have been invaluable. They include my *ancien camarade*, Patrick Fridenson, of the Ecole des Hautes Etudes en Sciences Sociales, Paris, with whom I've been Zooming every two weeks for most of the last year, and my unindicted co-conspirators,

Prof. Lee Vinsel at Virginia Tech and Dean Andrew Russell at SUNY Polytechnic Institute, whose pioneering inquiries into the criticality of maintenance and repair were a source of inspiration. Prof. Andrew Popp of the Copenhagen Business School provided critical assessments at critical junctures, which I much appreciated. Prof. Howard Gillette, a fellow Rutgers emeritus historian, Dr. Roger Horowitz at the Hagley Museum and Library, and Prof. Daniel H. G. Raff of Wharton read and reacted to early sections, as did Dr. Ann Norton Green of the University of Pennsylvania. My sincere thanks to each and all of them.

Those of us who continue publishing late into our careers move past the decades when acknowledgments of (and apologies to) parents, children, cousins, pets, department chairs, computer repair-persons, et al. take their place in the brief comments preceding the main sections of a monograph. But we remain forever in debt to our spouses, the life-partners who suffer our grumbling, accept our minds often being elsewhere, and join fleeting celebrations at finding “the perfect source.” In our life together, Virginia McIntosh has played each of those roles, and many more, over and over again, superbly, for nearly forty years. This book is for Ginny, in profound gratitude.

CONTENTS

1	Introduction: Hungary—Geography, History, and Society to 1945	1
	<i>Hungary as Space and Economy</i>	4
	<i>From Defeat to Disaster: Politics, 1918–1945</i>	9
	<i>The Path Ahead</i>	12
2	The Theft Economy: Occupation and Forced Industrialization	19
	<i>The New Hungarian State: Organization and Plans</i>	23
	<i>Soviet Dominion in the Postwar Economy</i>	30
	<i>Structuring the Socialist Enterprise System</i>	34
	<i>The Story Arc, 1949–1956</i>	39
	<i>A Note on the Forint</i>	43
3	Agriculture from Stalinism to the Revolt	55
	<i>State Farms and Tractor Stations: Emulating Soviet Practice</i>	59
	<i>Private Farmers: Pressured and Evasive</i>	74
	<i>Toil and Trouble in the TSZs</i>	87
	<i>Conclusion</i>	97
4	An Unfinished Project: Constructing Socialist Construction	111
	<i>The Ministry of Construction and Its Rivals</i>	114
	<i>In the Field: Construction Enterprises on the Job</i>	124
	<i>Chasing Bonuses: Enterprise Managers and Fraud</i>	131

	<i>Construction Workers: Living the Contradictions</i>	134
	<i>Mega-Projects: The Budapest Subway and Sztálinváros</i>	141
	<i>Conclusion</i>	152
5	Socialist Commerce: Provisioning, Coping, Maneuvering, and Trading	165
	<i>Provisioning</i>	166
	<i>Coping and Maneuvering</i>	180
	<i>Trading</i>	191
	<i>Conclusion</i>	200
6	Hungary's Socialist Industrialization: A Snare and a Delusion	213
	<i>The Core: Heavy Industry</i>	218
	<i>The Periphery: Light Industry, Handicrafts and Auxiliaries</i>	246
	<i>Conclusion</i>	262
7	The Revolt: Spontaneity, Repression, and Reaction	277
8	Afterword	293
	Note on Sources	297
	Index	301

LIST OF FIGURES

Fig. 1.1	Location of fuel sources with the borders of post-Trianon Hungary (dark line) and in territories previously part of the Kingdom (inside the exterior dotted line) (Creator: Pal Teleki (1879–1941), published 1923. <i>Source</i> https://archive.org/details/evolutionofhunga01tele Wikimedia Creative Commons)	5
Fig. 1.2	Wreckage of Budapest’s Elizabeth Bridge, 1945 (Photographer unknown. <i>Source</i> FOTO:Fortepan—ID 60155: http://www.fortepan.hu/_photo/download/fortepan_60155.jpg archivecopy Wikimedia Creative Commons)	13
Fig. 2.1	Hungary, counties map with county seats: www.mapsofopen.com/hungary-counties-map.html	20
Fig. 3.1	Driving a Hungarian-made Hoffer GS-35 tractor at a state farm, 1953 (Donor: Endre Baráth. <i>Source</i> FOTO: Fortepan—ID 7949, http://www.fortepan.hu/_photo/download/fortepan_14117.jpg , Wikimedia Creative Commons)	68
Fig. 4.1	Housing destruction in Central Budapest, 1945 (Donor: Dr. István Kramer. <i>Source</i> FOTO: Fortepan—ID 52083, http://www.fortepan.hu/_photo/download/fortepan_52083.jpg , archive copy, Wikimedia Creative Commons)	113

- Fig. 4.2 Construction work on foundations for Budapest's TV tower, 1956 (Donor: Rádió és Televízió Újság. *Source FOTO*: Fortepan—ID 56321, http://www.fortepan.hu/_photo/download/fortepan_56321.jpg, Wikimedia Creative Commons) 127
- Fig. 4.3 Budapest Subway construction, 1952 (Donor: UVATERV. *Source FOTO*: Fortepan—ID 91594, http://www.fortepan.hu/_photo/download/fortepan_91594.jpg, Wikimedia Creative Commons) 143
- Fig. 4.4 Construction of the Sztálinváros port, 1952 (Donor: UVATERV. *Source FOTO*: Fortepan—ID 91581, http://www.fortepan.hu/_photo/download/fortepan_91581.jpg, archive copy, Wikimedia Creative Commons) 148
- Fig. 5.1 Dunakapu Square Market, Győr. 1950 (Donor: Tamás Konok. *Source FOTO*: Fortepan—ID: 28215. http://www.fortepan.hu/_photo/download/fortepan_43687.jpg, Wikimedia Creative Commons) 173
- Fig. 5.2 Batthyány Square Market Hall, Budapest District 1, 1952. The hall, built in 1900, could accommodate nearly 700 stalls in its 3000 m² of floorspace (Donor: UVATERV. *Source FOTO*: Fortepan—ID 1094. http://www.fortepan.hu/_photo/download/fortepan_3972.jpg, archive copy, Wikimedia Creative Commons) 174
- Fig. 6.1 MEH scrapyard with Mercedes truck tire being repaired, 1951 (Donor: Építés. *Source FOTO*: Fortepan—ID 15,086, http://www.fortepan.hu/_photo/download/fortepan_23439.jpg Wikimedia Creative Commons) 222
- Fig. 6.2 Ganz 424 steam locomotive and tender, 1963 (Donor: Gyula Simon. *Source FOTO*: Fortepan—ID No. 70604. <https://commons.wikimedia.org/w/index.php?search=MAV+424+locomotive&title=Special:MediaSearch&go=Go&type=image>. Wikimedia Creative Commons) 232
- Fig. 6.3 Ganz four-unit railcar at Henderson, Argentina, on its final run before retirement, 1977 (Photographer: Carlos Pérez Darnaud. *Source* Plataforma 14, https://upload.wikimedia.org/wikipedia/commons/3/33/Tren_estacion_henderson.jpg Wikimedia Creative Commons) 235

- Fig. 7.1 Stalin's head on a Budapest square, 24 October 1956
(Photographer: Robert Hofbauer. *Source* FOTO: Fortepan—ID 93004, https://commons.wikimedia.org/wiki/File:1956_a_budapesti_Szt%C3%A1lin-szobor_elgurult_feje_fortepan_93004.jpg, Wikimedia Creative Commons) 280
- Fig. 7.2 “Russians Go Home!” In a Budapest shop window, October 1956 (Photographer: Gyula Nagy. *Source* FOTO: Fortepan—ID 24794, http://www.fortepan.hu/_photo/download/fortepan_40202.jpg, archive copy, Wikimedia Creative Commons) 282
- Fig. 7.3 Soviet Tank clearing a Budapest street Barricade (Photographer: unknown. *Source* Central Intelligence Agency, <https://www.flickr.com/photos/ciagov/8113980088/in/set-72157631830870415/>, Wikimedia Creative Commons) 283
- Fig. 7.4 Food deliveries in Budapest's District 13, November 1956 (Donor: Gyula Nagy. *Source* FOTO: Fortepan—ID 24837, http://www.fortepan.hu/_photo/download/fortepan_40245.jpg, archive copy, Wikimedia Creative Commons) 286

LIST OF TABLES

Table 4.1	Distribution of forced labor by sector, December 1952	140
Table 6.1	Machine tools at Ganz Railway, Machinery, Electrical, and Shipbuilding, 1948	231



Introduction: Hungary—Geography, History, and Society to 1945

When agriculture is referred to, both Hungarians and foreigners involuntarily are reminded of the seemingly infinite expanse of the Great Hungarian Plain (Alföld). In reality, however, more than half of agricultural production in Hungary is conducted in hilly woodland country.

—György Lakos (1963)¹

Farmer Imre Egyed in Dióskál owns 15 acres of land and lives as if it were 1930. He is not interested in anything but farming... He does not read newspapers or books and has no radio. He grew 60 quintals [6 tons] of cereals without the help of machines, because to him mechanical agricultural work does not seem genuine work... After having disposed of his obligations to the state [3 tons sold for ca. 6000ft], he prefers to stockpile the [rest]. If pressed, he would sell the cereal in other villages at prices 80 to 100 forints per quintal above the fixed official prices [+40-50%, yielding ca. 10,000ft]... He has a very well kept vineyard and a wine-cellar where 25 to 30 hectoliters [2500-3000 litres] of several-years-old wine are stored up. Out of the sale of the wine he could pay his taxes for five or six years.

—*Zalai Hírlap* (23 September 1960)²

[At the Wilhelm Pieck Railway Plant in Győr,] there was no production devoted to the making of spare parts; however, all items that were rejected were salvaged for spare parts. In the area where I worked all the transmissions were inspected before shipment... about one in four was rejected and the parts used for spare parts. Most of the rejected transmissions were

no different from the ones that passed the inspection. All of the so-called spare parts were sent to Budapest.³

“A system that worked, more or less.” Thus did Czech economist Radoslav Selucký describe the political economies of Central European socialism at the close of the 1960s. Gaps between plan and performance remained obvious in all the “people’s republics”; since the mid-1950s, reformers in Hungary, Poland, and Czechoslovakia had undertaken repeated drives toward decentralizing authority, reducing bureaucracy, and fostering initiatives among workers and managers in the service of “building socialism.” Yet as Selucký concluded in 1970 (two decades before the Bloc’s meltdown), planners, Party officials, and enterprise leaders, proved “incapable of finding a positive solution to any of the basic problems.”⁴ Although the socialist states gradually improved education and training, food and consumer goods supplies, and community health/nutrition (while reducing pre-war inequalities), efficiencies in using capital, materials, and equipment were elusive, technological advances lagged Western achievements, housing shortages persisted, and planned coordination among firms and agencies disappointed, as did the quality of goods and services. Post-1989 analyses of “what went wrong” have abounded, in what specialists call the “transitology” literature.⁵ Yet among scholars, embracing capitalism has often meant dismissing socialism, or employing it as a foil for declinist narratives.

This study will attempt something different: to recount and in part reconstruct the lived experience of Hungarian enterprises (plus managers, workers and farmers), moving forward in two volumes from the late 1940s to the late 1960s, thereby reconstructing what “worked, more or less.” These organizations and individuals could not envision the system’s eventual demise, but instead worked to manage life and labor within it. At the time, Western writers and visitors often flattened descriptions of everyday socialism into the monochrome routines of a totalitarian society.⁶ By contrast, what may be most memorable about the tales related below is the pervasive diversity of the initiatives, improvisations, evasions, and compromises Hungarians enacted, despite material, organizational, and political constraints flowing from the perennial disarray that top-down central planning spawned. The opening epigraphs signal this shift in perspective—from presuming uniformity to documenting diversity. For example, observers and planners focused on Hungary’s vast

Alfold plains, ideal for employing agricultural machinery (like comparable terrains in the USSR and the US), overlooked the other half of the rural landscape—almost seven million acres of cropland distributed across hills and valleys and on terraced mountainsides, interspersed with orchards and vineyards—utterly unsuited to “modern” mechanized sowing and harvesting.⁷ “Modernizing” agriculture demanded a varied array of projects, not a single big idea.

Comparable diversity was also evident at the family level: amid the campaign for rural collectivism, patriarch Imre Eyged ruled his Zala County farm and family as a personal fiefdom, “as if it were 1930.” Plainly rejecting all things socialist and most things modern or mechanized, he sought the best market prices for his grain, built his wine-cellar into a savings account, and lived independently. Although characterized as a relic of a bygone era, Eyged had evidently been left to his own devices despite the national crusade to bring private farmers and their land into agricultural cooperatives (TSZs).⁸ Organizers ignored him as an unlikely cooperator, but did recruit several hundred thousand comparable (and usually less wealthy) farm families whose dogged independence differed only in degree from his, and generated continuing trouble for co-op directors, Party leaders, and local officials.

Diversified on an industrial scale, the Wilhelm Pieck railway equipment complexes⁹ had had a distinguished history before their nationalization. Founded in 1896, the Hungarian Railway Carriage and Machine Works (MVG) fell under Austrian control a decade later, returning to Magyar hands only in 1935 when its Viennese owners, facing bankruptcy, sold their shares to the more stable RIMA Ironworks, a company also started under the Austro-Hungarian Empire.¹⁰ Bombed five times during World War II, MVG’s Győr plant suffered nearly 50 percent destruction, then was stripped by “the plundering troops of the Red Army [who] took possession of the raw materials and finished products... that were still disposable.”¹¹ A decade later, with no priority given to manufacturing spare parts for their products, managers improvised by “rejecting” and disassembling finished transmissions to supply components to Budapest warehouses. Such situations were not uncommon in socialist manufacturing, echoing conflicts in the TSZs, in construction, and in trade, which together suggest that Hungary’s path to progress was not just rocky, but strewn with boulders.

Having set the stage for enterprise dramas, the task now is to build a theater around it, first in spatial terms—scanning the geography of

a newly-independent nation after World War I's bitterly-received settlement, then along a temporal axis—summarizing Hungary's historical trajectory from the dispiriting end of one great war to the final spasms of another. With this framework in place, the Introduction will close by offering the customary preview of the chapters to come.

HUNGARY AS SPACE AND ECONOMY

The creation of modern Hungary was involuntary and traumatic, a spatial event trailing the collapse of the Austro-Hungarian Empire and the Dual Monarchy. Separated from Austria by an October 1918 parliamentary resolution, the Hungarian Kingdom found that regions nominally under its control ignored directives from Budapest, announcing breakaways toward self-determination (e.g., Czech lands to the north, Croatia to the south). As republican and revolutionary politics surged, formal treaty-making plodded along in France. Adjoining the Versailles settlement with Germany, Great Britain, France, Italy, and the United States concluded four other agreements (1919–1920), which reorganized Central Europe and recognized republican Turkey as the Ottoman Empire's successor. One of these, the Treaty of Trianon, confirmed the fragmentation of Imperial Hungary¹²; over 70% of its former territory and 60% of its population would belong to other states: Czechoslovakia, Romania, Yugoslavia, and Austria. Worse, the severed territories held some 3.4 million ethnic Hungarians, half of them located in Romania, now to be governed from Bucharest.¹³

Recovering these lost lands and communities fueled irredentist politics in Hungary during the interwar decades, overshadowed, to be sure, by Germany's more successful maneuvers to absorb Austria and the Sudetenland in Czechoslovakia.¹⁴ Yet the *economic* losses to Hungary (Fig. 1.1) were just as, or more, crippling. The Kingdom once had 35 million acres of arable land and 17 million acres of pastures and meadows; the Republic held just 13.5 million acres of farmland (39%), only a quarter of the prior grazing areas and just twelve percent of some 21 million forested acres. Over half of the Kingdom's "factories and industrial plants" resided in nations other than Hungary, as did all its mines for precious metals, copper, and salt, four-fifths of its iron ore resources, and two-thirds of public roads and railways.¹⁵ These shifts fundamentally transformed

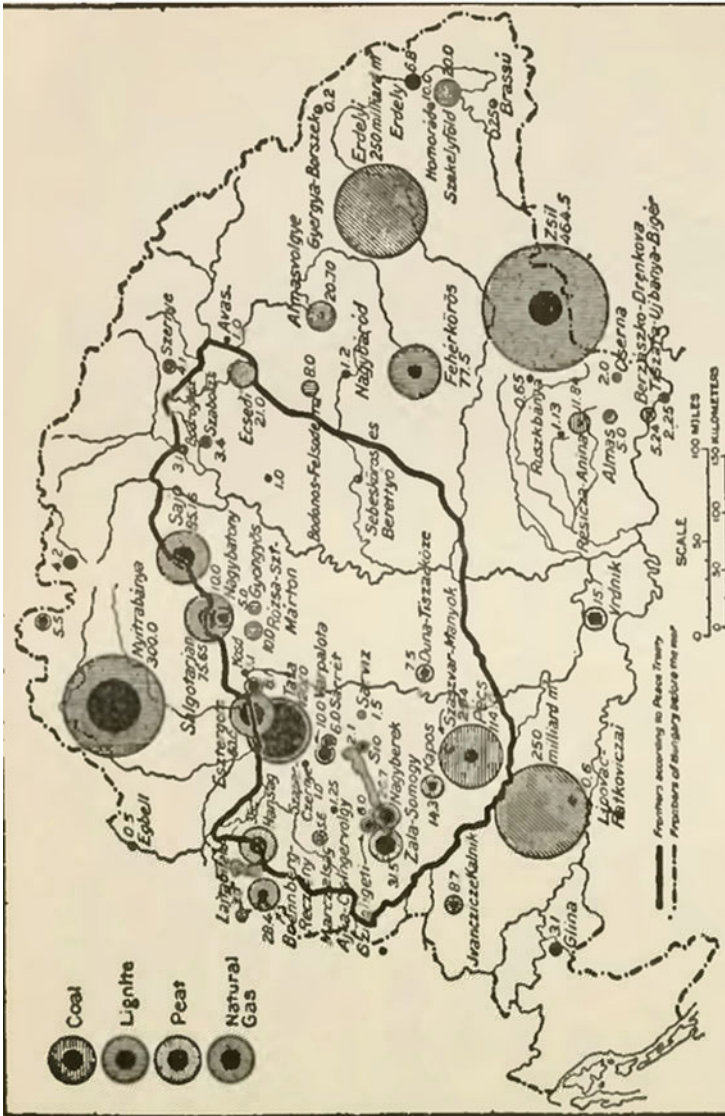


Fig. I.1 Location of fuel sources with the borders of post-Trianon Hungary (dark line) and in territories previously part of the Kingdom (inside the exterior dotted line) (Creator: Pal Teleki (1879–1941), published 1923. *Source* [https://archive.org/details/evolutionofhunga01tele/Wikimedia Creative Commons](https://archive.org/details/evolutionofhunga01tele/Wikimedia%20Creative%20Commons))

the conditions of economic life. The relative importance of the various industries remaining within the country's new boundaries changed the economic structure, making Hungary more industrialized... and transforming the inner balance of industry as well. The principal effect of these changes [was] the separation of the country from the nearly self-sufficient economic unity of the former Monarchy; without any period of transition, Hungary was forced to become dependent on foreign trade, seeking a place on the world market to replace its secure internal trade connections, now lost.¹⁶

Disaster ensued. Finance and credit crumbled as banking ties between Budapest and Vienna frayed, as did links to Germany, long a secondary source for loans. By February 1920, the national currency (the crown) had fallen to one-eighth of its 1914 value. Cut off from most raw materials, manufacturing floundered; whereas "agriculture was unable to recover from the disorganization into which it had fallen by the end of the war." As farming accounted for nearly 60% of national income (double manufacturing's share), this was especially demoralizing, as exports had become crucial to paying for materials and machinery from abroad. Recovery was gradual, but far from impressive—by the 1929 peak, industrial output stood only 25% above 1914 levels within the new borders. Then markets crashed, selling prices dropped, tariffs rose to punishing heights, and foreign demand cratered. For a resource-poor, trade-dependent nation, Hungary initially faced a brutal Depression decade. Bilateral trade agreements with Hitler's Germany and Mussolini's Italy in 1934 eased the strains, exchanging exported foodstuffs for manufactures. Soon Germany became "Hungary's most important trading partner," forging an unbalanced relationship which the Reich dominated.¹⁷

In terms of physical geography, post-Trianon Hungary was roughly the size of the US state of Indiana (ca. 36,000 sq. miles), and similarly, was located near the center of a continental land mass. Resting closer to Europe's southern edges than to its northern shores, Hungary's compact territory ran just 220 miles east-to-west and 118 miles north-to-south. Its land is generally low-lying, 85% at 600 feet or fewer above sea level, only two percent above 1200 feet.¹⁸ Within its Northern ridges, Western hills, and central plains (over half of the territory), Hungary offers "a great variety of landscapes." Moreover, it contains "a wealth of species in the natural vegetation, the soil covering has a mosaic-like character, and the climate is extremely changeable."¹⁹ Thus deer hunting in the

northern ranges went hand-in-hand, however awkwardly, with cultivating rice in southern wetlands, another confirmation of Hungary's ecological diversity.²⁰ "Changeable" climatic conditions followed weather currents flowing in from the Atlantic, the Mediterranean, and the mountains (Alps and Carpathians).

The Atlantic effects can cause cool summers with abundant precipitation and mild, foggy winters; the continental effects can cause dry, cloudless weather with hot summers and cold winters, and the Mediterranean systems may bring about early spring, hot and dry summers and a rainy autumn and winter season. In general, these effects alternate within short periods... Solar radiation is abundant and its duration moderate. The average number of the sunny hours is about 2,000 per year... The vegetation growing period of eight months provides abundant solar energy for annual crop cultures.²¹

New Hungary also straddled the central basin of the Danube River, Europe's longest at 1800 miles, ample water being supplied from its Alpine tributaries accompanied by periodic, severe flooding. The Danube bisects the capital city before flowing south through the Great Plain and into the Balkans.²²

As for economic geography, post-Hapsburg Hungary's chief remaining mineral resource was huge deposits of "brown coal" or lignite, the lowest quality in BTU terms and the smokiest. Alongside its forests, the country's most important economic asset remained "the varied and fertile soil cover." Soil research dating to the nineteenth century demonstrated agriculture's durable vitality and its diversity, for "often a number of different soil types occur[red] in a small area," triggering complicated land uses. They included fertile black Chernozem in the Great Plains (five feet thick in places), lime-rich Rendzina in once-forested districts (along with other forest variants), bog soils, meadow soils, sandys and alluvials (along rivers), alkali soils (e.g., clay-infused Solonetz), plus many sub-types.²³ The World War I settlement little changed Hungary's customary agricultural relations and practices. In 1895 nearly half the arable land was held in large parcels, 150 acres or more (a third of it in estates spanning more than 1500 acres), accounting for just one percent of all properties. Forty years later the proportions were virtually identical, whereas the percentage of the rural landless had risen (from 54 to 72%). Although tractors and power threshing machines began to populate Plains grainlands in the

1920s, the Depression stalled their diffusion: horses and oxen retained central roles. "For the most part, agricultural technique was based on traditional implements and simple machines. Though on average there was one plow for every holding, most of the small peasant plots lacked even that much equipment... Hoeing, harvesting, and other operations were performed almost entirely by hand."²⁴ Although the interwar years brought expansion of market gardening near Budapest and smaller cities and a surge in orchard plantings, the nation's output of grain crops overfilled the domestic market, yielding price-taking in export trades. Sadly, its commercial livestock activity "presented an even sorrier picture," failing to attain 1913 peaks by 1938, a quarter century later.²⁵

Empire-era manufacturing development had been more dynamic, but reorienting post-1920 industry was "burdened with inherent contradictions." Before 1914, investment in consumer-goods capacity (e.g., textiles, household goods) had been modest, because much of "domestic consumption was covered by imports," whereas the Kingdom's technologically more intensive sectors (e.g. machinery, electrical) had been heavily export-oriented. Tariffs proliferated in the 1920s, creating diverging incentives. Now Hungary's textile industry could meet just 25% of domestic needs; thus "the transplantation of many formerly Austrian or Czech textile mills to Hungary" proceeded steadily. Spindles for making cotton yarn, for example, grew sixfold, 1921–1929, to 193,000 (wool, fourfold), reducing imports from 86% of all fabrics in 1921 to half by decade's end. At the other extreme, sophisticated food processing and metalworking establishments, many in Budapest, finding once-profitable export markets blocked, could not attain prewar production levels and faced substantial unused capacity.²⁶ Budapest, long the Kingdom's center, emerged in the 1890s as a major modern metropolis, with extensive transport, financial, and trade connections to other European cities. It dominated the region, particularly through a hub-and-spoke pattern of railways and roads; commerce and communication from the hinterlands flowed into, through, and only then, beyond Budapest.²⁷ After Trianon, over half of Hungary's "industrial population" lived and worked in the capital district, where 15% of the nation's citizens resided. Between the wars, the city's industrial centrality "increased considerably,"²⁸ a trend that continued well into the socialist decades. One report affirmed that:

Budapest contains not only the largest industrial complex in the country but perhaps the most intricate and heterogeneous in all of Eastern Europe.